

# Exhibit F



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U.S. SECURITIES AND  
EXCHANGE COMMISSION

# INVESTOR ALERT: BITCOIN AND OTHER VIRTUAL CURRENCY-RELATED INVESTMENTS

05/07/2014

*The SEC's Office of Investor Education and Advocacy is issuing this Investor Alert to make investors aware about the potential risks of investments involving Bitcoin and other forms of virtual currency.*

The rise of Bitcoin and other virtual and digital currencies creates new concerns for investors. *A new product, technology, or innovation – such as Bitcoin – has the potential to give rise both to frauds and high-risk investment opportunities.* Potential investors can be easily enticed with the promise of high returns in a new investment space and also may be less skeptical when assessing something novel, new and cutting-edge.

We previously issued an [Investor Alert](http://www.sec.gov/investor/alerts/ia_virtualcurrencies.pdf) ([http://www.sec.gov/investor/alerts/ia\\_virtualcurrencies.pdf](http://www.sec.gov/investor/alerts/ia_virtualcurrencies.pdf)) about the use of Bitcoin in the context of a Ponzi scheme. The Financial Industry Regulatory Authority (FINRA) also recently issued an [Investor Alert](http://www.finra.org/Investors/ProtectYourself/InvestorAlerts/FraudsAndScams/P456458) (<http://www.finra.org/Investors/ProtectYourself/InvestorAlerts/FraudsAndScams/P456458>) cautioning investors about the risks of buying and using digital currency such as Bitcoin. In addition, the North American Securities Administrators Association (NASAA) included digital currency on its [list](http://www.nasaa.org/3752/top-investor-threats/) (<http://www.nasaa.org/3752/top-investor-threats/>) of the top 10 threats to investors for 2013.

## What is Bitcoin?

Bitcoin has been described as a decentralized, peer-to-peer virtual currency that is used like money – it can be exchanged for traditional currencies such as the U.S. dollar, or used to purchase goods or services, usually online. *Unlike traditional currencies, Bitcoin operates without central authority or banks and is not backed by any government.*

**IRS treats Bitcoin as property.** The IRS recently issued [guidance](http://www.irs.gov/uac/Newsroom/IRS-Virtual-Currency-Guidance) (<http://www.irs.gov/uac/Newsroom/IRS-Virtual-Currency-Guidance>) stating that it will treat virtual currencies, such as Bitcoin, as property for federal tax purposes. As a result, general tax principles that apply to property transactions apply to transactions using virtual currency

If you are thinking about investing in a Bitcoin-related opportunity, here are some things you should consider.

## Investments involving Bitcoin may have a heightened risk of fraud.

Innovations and new technologies are often used by fraudsters to perpetrate fraudulent investment schemes. *Fraudsters may entice investors by touting a Bitcoin investment "opportunity" as a way to get into this cutting-edge space, promising or guaranteeing high investment returns.* Investors may find these investment pitches hard to resist.

**Bitcoin Ponzi scheme.** In July 2013, the SEC charged an individual for an alleged Bitcoin-related Ponzi scheme in [SEC v. Shavers](http://www.sec.gov/News/PressRelease/Detail/PressRelease/1370539730583#.Ue6yZODmp-l) (<http://www.sec.gov/News/PressRelease/Detail/PressRelease/1370539730583#.Ue6yZODmp-l>). The defendant advertised a Bitcoin "investment opportunity" in an online Bitcoin forum, promising investors up to 7% interest per week and that the invested funds would be used for Bitcoin activities. Instead, the defendant allegedly used bitcoins from new investors to pay existing investors and to pay his personal expenses.

As with any investment, be careful if you spot any of these potential warning signs of investment fraud:

- ▶ **"Guaranteed" high investment returns.** There is no such thing as guaranteed high investment returns. Be wary of anyone who promises that you will receive a high rate of return on your investment, with little or no risk.
- ▶ **Unsolicited offers.** An unsolicited sales pitch may be part of a fraudulent investment scheme. Exercise extreme caution if you receive an unsolicited communication – meaning you didn't ask for it and don't know the sender – about an investment opportunity.
- ▶ **Unlicensed sellers.** Federal and state securities laws require investment professionals and their firms who offer and sell investments to be licensed or registered. Many fraudulent investment schemes involve unlicensed individuals or unregistered firms. Check license and registration status by searching the SEC's [Investment Adviser Public Disclosure \(IAPD\)](http://www.adviserinfo.sec.gov/IAPD/Content/lapdMain/lapd_SiteMap.aspx) ([http://www.adviserinfo.sec.gov/IAPD/Content/lapdMain/lapd\\_SiteMap.aspx](http://www.adviserinfo.sec.gov/IAPD/Content/lapdMain/lapd_SiteMap.aspx)) website or FINRA's [BrokerCheck](http://brokercheck.finra.org/Search/Search.aspx) (<http://brokercheck.finra.org/Search/Search.aspx>) website.
- ▶ **No net worth or income requirements.** The federal securities laws require securities offerings to be registered with the SEC unless an exemption from registration applies. Most registration exemptions require that investors are [accredited investors](http://www.sec.gov/answers/accred.htm) (<http://www.sec.gov/answers/accred.htm>). Be highly suspicious of private (*i.e.*, unregistered) investment opportunities that do not ask about your net worth or income.
- ▶ **Sounds too good to be true.** If the investment sounds too good to be true, it probably is. Remember that investments providing higher returns typically involve more risk.
- ▶ **Pressure to buy RIGHT NOW.** Fraudsters may try to create a false sense of urgency to get in on the investment. Take your time researching an investment opportunity before handing over your money.

## Bitcoin users may be targets for fraudulent or high-risk investment schemes.

Both fraudsters and promoters of high-risk investment schemes may target Bitcoin users. The exchange rate of U.S. dollars to bitcoins has fluctuated dramatically since the first bitcoins were

created. As the exchange rate of Bitcoin is significantly higher today, many early adopters of Bitcoin may have experienced an unexpected increase in wealth, making them attractive targets for fraudsters as well as promoters of high-risk investment opportunities.

Fraudsters target any group they think they can convince to trust them. Scam artists may take advantage of Bitcoin users' vested interest in the success of Bitcoin to lure these users into Bitcoin-related investment schemes. The fraudsters may be (or pretend to be) Bitcoin users themselves. Similarly, promoters may find Bitcoin users to be a receptive audience for legitimate but high-risk investment opportunities. Fraudsters and promoters may solicit investors through forums and online sites frequented by members of the Bitcoin community.

**Bitcoins for oil and gas.** The Texas Securities Commissioner recently ([http://www.ssb.state.tx.us/News/Press\\_Release/03-11-14\\_press.php](http://www.ssb.state.tx.us/News/Press_Release/03-11-14_press.php)) entered an emergency cease and desist order against a Texas oil and gas exploration company, which claims it is the first company in the industry to accept bitcoins from investors, for intentionally failing to disclose material facts to investors including "the nature of the risks associated with the use of Bitcoin to purchase working interests" in wells. The company advertised working interests in wells in West Texas, both at a recent Bitcoin conference and through social media and a web page, according to the emergency order.

**Bitcoin trading suspension.** In February 2014, the SEC suspended (<http://www.sec.gov/litigation/suspensions/2014/34-71568.pdf>) trading in the securities of Imogo Mobile Technologies because of questions about the accuracy and adequacy of publicly disseminated information about the company's business, revenue and assets. Shortly before the suspension, the company announced that it was developing a mobile Bitcoin platform, which resulted in significant movement in the trading price of the company's securities.

### **Using Bitcoin may limit your recovery in the event of fraud or theft.**

If fraud or theft results in you or your investment losing bitcoins, you may have limited recovery options. Third-party wallet services, payment processors and Bitcoin exchanges that play important roles in the use of bitcoins may be unregulated or operating unlawfully.

Law enforcement officials may face particular challenges (<http://www.hsgac.senate.gov/download/?id=ac50a1af-cc98-4b04-be13-a7522ea7a70d>) when investigating the illicit use of virtual currency. Such challenges may impact SEC investigations involving Bitcoin:

► **Tracing money.** Traditional financial institutions (such as banks) often are not involved with Bitcoin transactions, making it more difficult to follow the flow of money.

► **International scope.** Bitcoin transactions and users span the globe. Although the SEC regularly obtains information from abroad (such as through cross-border agreements), there may be restrictions on how the SEC can use the information and it may take more time to get the information. In some cases, the SEC may be unable to obtain information located overseas.

► **No central authority.** As there is no central authority that collects Bitcoin user information, the SEC generally must rely on other sources, such as Bitcoin exchanges or users, for this type of information.

► **Seizing or freezing bitcoins.** Law enforcement officials may have difficulty seizing or freezing illicit proceeds held in bitcoins. Bitcoin wallets are encrypted and unlike money held in a bank or brokerage account, bitcoins may not be held by a third-party custodian.

### **Investments involving Bitcoin present unique risks.**

Consider these risks when evaluating investments involving Bitcoin:

► **Not insured.** While securities accounts at U.S. brokerage firms are often insured by the [Securities Investor Protection Corporation \(http://www.sec.gov/answers/sipc.htm\)](http://www.sec.gov/answers/sipc.htm) (SIPC) and bank accounts at U.S. banks are often insured by the Federal Deposit Insurance Corporation (FDIC), bitcoins held in a digital wallet or Bitcoin exchange currently do not have similar protections.

► **History of volatility.** The exchange rate of Bitcoin historically has been very volatile and the exchange rate of Bitcoin could drastically decline. For example, the exchange rate of Bitcoin has dropped more than 50% in a single day. Bitcoin-related investments may be affected by such volatility.

► **Government regulation.** Bitcoins are not legal tender. Federal, state or foreign governments may restrict the use and exchange of Bitcoin.

► **Security concerns.** Bitcoin exchanges may stop operating or permanently shut down due to fraud, technical glitches, hackers or malware. Bitcoins also may be stolen by hackers.

► **New and developing.** As a recent invention, Bitcoin does not have an established track record of credibility and trust. Bitcoin and other virtual currencies are evolving.

**Recent Bitcoin exchange failure.** A Bitcoin exchange in Japan called Mt. Gox recently failed after hackers apparently stole bitcoins worth hundreds of millions of dollars from the exchange. Mt. Gox subsequently filed for bankruptcy. Many Bitcoin users participating on the exchange are left with little recourse.

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Before making any investment, carefully read any materials you are given and verify the truth of every statement you are told about the investment. For more information about how to research an investment, read our publication [Ask Questions \(http://www.sec.gov/investor/pubs/sec-questions-investors-should-ask.pdf\)](http://www.sec.gov/investor/pubs/sec-questions-investors-should-ask.pdf). Investigate the individuals and firms offering the investment, and check out their backgrounds by searching the SEC's [IAPD \(http://www.adviserinfo.sec.gov/IAPD/Content/IapdMain/iapd\\_SiteMap.aspx\)](http://www.adviserinfo.sec.gov/IAPD/Content/IapdMain/iapd_SiteMap.aspx) website or FINRA's [BrokerCheck \(http://brokercheck.finra.org/Search/Search.aspx\)](http://brokercheck.finra.org/Search/Search.aspx) website and by contacting your [state securities regulator \(http://www.nasaa.org/about-us/contact-us/contact-your-regulator/\)](http://www.nasaa.org/about-us/contact-us/contact-your-regulator/).

## Additional Resources

### [SEC Investor Alert: Ponzi Schemes Using Virtual Currencies](http://www.sec.gov/investor/alerts/ia_virtualcurrencies.pdf)

([http://www.sec.gov/investor/alerts/ia\\_virtualcurrencies.pdf](http://www.sec.gov/investor/alerts/ia_virtualcurrencies.pdf))

### [SEC Investor Alert: Social Media and Investing – Avoiding Fraud](http://www.sec.gov/investor/alerts/socialmediaandfraud.pdf)

(<http://www.sec.gov/investor/alerts/socialmediaandfraud.pdf>)

### [SEC Investor Alert: Private Oil and Gas Offerings](http://www.sec.gov/investor/alerts/ia_oilgas.pdf) ([http://www.sec.gov/investor/alerts/ia\\_oilgas.pdf](http://www.sec.gov/investor/alerts/ia_oilgas.pdf))

### [SEC Investor Bulletin: Affinity Fraud](http://www.sec.gov/investor/alerts/affinityfraud.pdf) (<http://www.sec.gov/investor/alerts/affinityfraud.pdf>)

### [FINRA Investor Alert: Bitcoin: More Than a Bit Risky](http://www.finra.org/Investors/ProtectYourself/InvestorAlerts/FraudsAndScams/P456458)

(<http://www.finra.org/Investors/ProtectYourself/InvestorAlerts/FraudsAndScams/P456458>)

### [NASAA Top Investor Threats](http://www.nasaa.org/3752/top-investor-threats/) (<http://www.nasaa.org/3752/top-investor-threats/>)

### [IRS Virtual Currency Guidance](http://www.irs.gov/uac/Newsroom/IRS-Virtual-Currency-Guidance) (<http://www.irs.gov/uac/Newsroom/IRS-Virtual-Currency-Guidance>)

### [European Banking Authority Warning to Consumers on Virtual Currencies](http://www.eba.europa.eu/documents/10180/598344/EBA+Warning+on+Virtual+Currencies.pdf)

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## Contact the SEC

[Submit a question](https://www.sec.gov/oiea/QuestionsAndComments.html) (<https://www.sec.gov/oiea/QuestionsAndComments.html>) to the SEC or call the SEC's toll-free investor assistance line at (800) 732-0330 (dial 1-202-551-6551 if calling from outside of the United States).

[Report a problem](https://www.sec.gov/complaint/question.shtml) (<https://www.sec.gov/complaint/question.shtml>) concerning your investments or [report possible securities fraud](http://www.sec.gov/complaint/tipscomplaint.shtml) (<http://www.sec.gov/complaint/tipscomplaint.shtml>) to the SEC.

## Stay Informed

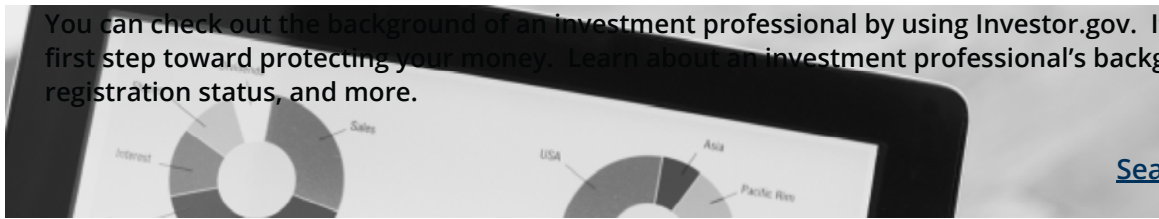
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